

PUBLIC DISCLOSURE

DECEMBER 21, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MASSACHUSETTS POSTAL EMPLOYEES CREDIT UNION

67714

51 WILLOW STREET
LYNN, MA 01902

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income individuals, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **MASSACHUSETTS POSTAL EMPLOYEES CREDIT UNION** (or the "Credit Union") prepared by the Division, the institution's supervisory agency, as of **December 21, 2009**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"

The assessment of Massachusetts Postal Employees Credit Union's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. Credit unions whose membership by-laws provisions are not based upon residence are permitted to designate its membership as its assessment area. Therefore, since the Credit Union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted as such an analysis would not be meaningful. Therefore, this evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; providing loans to individuals of various incomes, including low to moderate-income members; and the Credit Union's fair lending performance.

The Credit Union's average net loan-to-share ratio was calculated at 89.7 percent and is considered more than reasonable for an institution of its size and capacity. An analysis of the Credit Union's lending activity by borrower income revealed that 40.0 percent of real-estate loans were granted to low- and moderate-income members. An analysis of the Credit Union's lending activity by borrower income revealed that 91.1 percent of the number of consumer loans sampled was also granted to low- and moderate-income members. The Credit Union was found to exceed the standards for satisfactory performance under this criterion. The Credit Union received no complaints pertaining to its CRA performance and the fair lending examination revealed no evidence of discriminatory or illegal credit practices. Fair lending policies and practices are considered satisfactory.

PERFORMANCE CONTEXT

Description of Institution

Massachusetts Postal Employees Credit Union, formerly Lynn Postal District Employees Credit Union, was incorporated under the laws of the Commonwealth of Massachusetts in 1926. The Credit Union was established to serve the credit needs of employees in the Lynn postal district. In December of 2007, the Credit Union expanded its field of membership; membership now includes all postal employees who work or reside in Essex County, Middlesex County, Worcester County, Suffolk County and their families.

The Credit Union's sole office is located at 51 Willow Street in Lynn. Office hours are Monday through Friday from 9:00 AM through 4:00 PM. The Credit Union has three full time staff and provides the following products and services: personal loans, new and used vehicle loans, home improvement loans, lines of credit, home mortgage loans, home equity loans, regular share accounts, free checking accounts, certificate of deposit accounts, IRA accounts and Roth IRA accounts.

According to the Credit Union's September 30, 2009 National Credit Union Administration ("NCUA") Call Report of Condition, the Credit Union's assets total \$15,442,549. Total loans as of this date stood at \$11,768,793, or 76.2 percent, of total assets. The largest portion of the Credit Union's loan portfolio is comprised of first mortgage loans at 44.8 percent, followed by other real estate secured loans/lines of credit which account for 17.5 percent of the loan portfolio. Please refer to the following table for further information regarding the composition of the Credit Union's loan portfolio.

Loan Portfolio Distribution as of September 30, 2009		
Loan Type	Dollar Volume (000's)	Percentage of Total Loans
First Mortgage Loans	5,272	44.8
Other Real Estate Loans/ Lines of Credit	2,058	17.5
Used Vehicle Loans	1,160	9.9
New Vehicle Loans	965	8.2
All Other Unsecured Loans/ Lines of Credit	2,312	19.6
Less- Allowance for Loan & Lease Losses	(71)	--
Total	11,696	100.0

Source: 9/30/09 Consolidated Report of Condition

The Division last examined the Credit Union for compliance with the CRA on September 2, 2003. That examination resulted in a CRA rating of "High Satisfactory." Other than its small asset size, there are no apparent financial or legal impediments that would limit the Credit Union's ability to help meet the credit needs of its members.

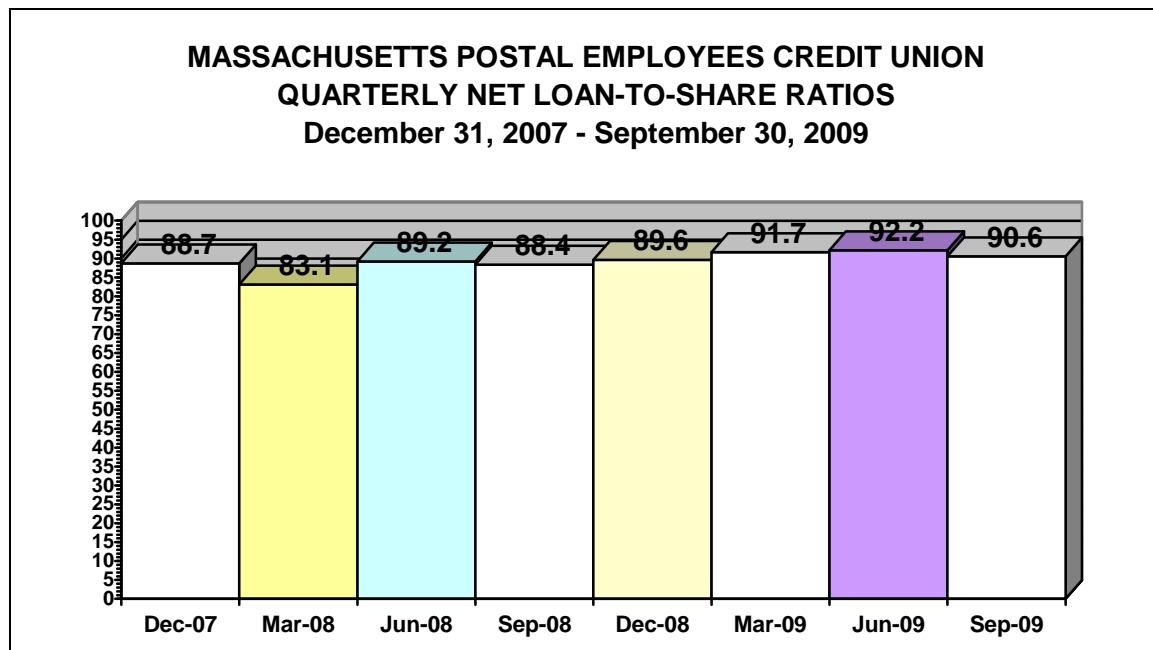
Description of Assessment Area

In accordance with the requirements of 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union's bylaws, membership is for employees of the United States Postal Service who live or reside in Essex County, Middlesex County, Suffolk County, Worcester County and their families. The Credit Union currently has approximately 2,000 members.

PERFORMANCE CRITERIA

LOAN TO SHARE ANALYSIS

This performance criterion determines what percentage of the Credit Union's deposit (share) base is reinvested in the form of loans and evaluates its appropriateness. The analysis was performed using NCUA quarterly Call Report data for the period ending December 31, 2007 through September 30, 2009. The average net LTS for the period reviewed was calculated at 89.7 percent. The following graph depicts the net loan-to-share ratios for each quarter under review.



As displayed in the table above, the Credit Union's net loan-to-share ratios fluctuated slightly during the period but remained at high levels. Overall, the Credit Union's LTS increased from 88.7 percent, as of December 31, 2007, to 90.6 percent, as of September 30, 2009. The increase in the ratios reflects the growth in loans outpacing the growth in shares. During the time period, the Credit Union's total loans increased approximately 18.0 percent, from \$9,976,544 to \$11,768,793. During the same time period, shares increased from \$9,920,801 to \$11,696,903, or approximately 15.4 percent. Additionally, the Credit Union's net LTS ratio was compared to similarly-situated credit unions.

The following table displays the Credit Union's net LTS ratio in comparison to three other postal employee credit unions of similar asset size. The ratios and asset sizes are based on the credit unions' June 30, 2009 Call Reports. As displayed below, the Massachusetts Postal Employees Credit Union's LTS ratio was the highest of this group.

Institution	Net LTS	Asset Size
Massachusetts Postal Employees Credit Union	92.2%	\$14,855,572
Worcester Postal Employees Credit Union	79.5%	\$9,919,570
Middlesex Postal Employees Credit Union	59.1%	\$5,624,252
Brockton Postal Employees Credit Union	45.7%	\$11,835,558

Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of the membership, the Credit Union's net loan-to-share ratio exceeds the standards for satisfactory performance.

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Credit Union's real estate secured lending activity, as well as a sample of consumer loans for calendar years 2007, 2008 and YTD December 21, 2009, were analyzed in order to determine the distribution of credit based upon the income level of the borrowers.

As previously mentioned, membership in the Credit Union includes Postal Employees and their families who live or work in the following MA counties: Essex County, Middlesex County, Suffolk County and Worcester County.

The borrowers' incomes were compared to the median family incomes, as estimated by the Department of Housing and Urban Development ("HUD"), for the area in which they were located. Essex County is located within the Peabody, MA (MD), Middlesex County is located with the Cambridge-Newton-Framingham, MA (MD), Suffolk County is within the Boston-Quincy MA (MD) and Worcester County is within the Worcester, MA MSA. The income figures are based on 2000 U.S. Census data information. The median family incomes are as follows:

Metropolitan Area	Median Family Income		
	2007	2008	2009
Cambridge-Newton-Framingham, MA (MD)	\$88,900	\$93,000	\$97,100
Peabody, MA (MD)	\$77,200	\$79,500	\$83,600
Boston-Quincy, MA (MD)	\$76,900	\$79,500	\$83,900
Worcester, MA MSA	\$72,800	\$76,900	\$79,700

Low-income is defined by the U.S. Census Bureau as income below 50 percent of the median family income (MFI) level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Residential Real Estate

The Credit Union originated a total of thirty-five first and second mortgage loans during the period under the review. The following table breaks out the home mortgage loans granted to members in 2007, 2008 and YTD December 21, 2009, categorized by the applicants' reported income in relation to the HUD-adjusted median family income for the respective year and MSA.

Distribution of Residential Real Estate Loans by Borrower Income								
MFI Level	2007 Credit Union Data		2008 Credit Union Data		2009 Credit Union Data		Total	
	#	%	#	%	#	%	#	%
Low	1	12.5	1	12.5	0	0.0	2	5.7
Moderate	3	37.5	3	37.5	6	31.6	12	34.3
Middle	3	37.5	1	12.5	4	21.1	8	22.9
Upper	1	12.5	3	37.5	9	47.4	13	37.1
Total	8	100.0	8	100.0	19	100.0	35	100.0

Source: Credit Union Data

As displayed in the previous table, the Credit Union made 1 loan to a low-income member in 2007, representing 12.5 percent of the 8 residential real estate secured loans granted in that year. In 2008, the Credit Union made an additional loan to a low-income member; no loans have been made to low-income members in 2009.

In 2007, the Credit Union granted 3 loans to moderate-income members and an additional 3 in 2008; in YTD 2009, 6 loans have been made to moderate-income members. The Credit Union displays a strong penetration in lending to moderate-income borrowers. Given the average salary of postal employees (approximately \$50,000 per year), the Credit Union's performance shows a strong responsiveness in meeting the credit needs of its membership.

Consumer Lending

The following table displays the consumer loans sampled, broken out by year and the applicants' income in relation to the HUD-adjusted median family income for the respective MSA. It should be noted that the analysis of consumer loans to low- and moderate-income borrowers may be somewhat skewed. The comparison of consumer loans to low- and moderate-income borrowers to the percentage of low- and moderate-income families may result in higher performance levels due to the fact that in most cases only one income is used to make a credit decision.

Distribution of Consumer Loans by Borrower Income								
MFI Level	2007 Credit Union Data		2008 Credit Union Data		2009 Credit Union Data		Total	
	#	%	#	%	#	%	#	%
Low	2	13.3	1	6.7	6	40.0	9	20.0
Moderate	11	73.3	14	93.3	7	46.7	32	71.1
Middle	0	0.0	0	0.0	2	13.3	2	4.4
Upper	2	13.3	0	0.0	0	0.0	2	4.4
Total	15	100.0	15	100.0	15	100.0	45	100.0

As displayed in the table above, of the 45 loans reviewed, 41, or 91.1 percent, were made to low- and moderate-income members. The Credit Union's performance, based primarily on lending to moderate-income members, displays an excellent responsiveness in meeting the credit needs of its membership.

Overall, based upon the analysis of borrower income, the Credit Union demonstrates an excellent level of performance in providing loans to borrowers of different incomes.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS

A review was conducted for compliance with fair lending regulations, and no evidence of disparate treatment or impact was revealed.

A review of the Division's records, as well as the Credit Union's Public CRA File did not reveal any complaints relating to the Credit Union's CRA performance since the prior evaluation.

The Credit Union has a written Fair Lending Policy which addresses its efforts to eliminate discrimination in all aspects of lending. In addition, the Credit Union conducts quarterly fair lending audits.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 51 Willow Street, Lynn Massachusetts 01901."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.